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19 **UNITED STATES DISTRICT COURT**  
20 **CENTRAL DISTRICT OF CALIFORNIA**  
21 **SOUTHERN DIVISION**

22 DEALERTRACK, INC.

) Case No. CV 06-2335 AG (FMOx)

23 Plaintiff,

) MEMORANDUM OF POINTS AND  
24 ) AUTHORITIES IN SUPPORT OF  
vs. ) FINANCE EXPRESS AND  
DAVID L. HUBER, FINANCE ) ROUTEONE'S MOTION FOR  
25 ) EXPRESS LLC, and JOHN DOE ) SUMMARY JUDGMENT OF  
DEALERS, ) INVALIDITY AS TO U.S. PATENT  
26 ) 7,181,427 OR, IN THE  
Defendants. ) ALTERNATIVE, FOR NON-  
27 ) INFRINGEMENT AS TO FINANCE  
28 ) EXPRESS

Case No. CV 06-2335 AG (FMOx)

1 DEALERTRACK, INC., ) DATE: June 15, 2009  
2 Plaintiff ) TIME; 9:00 a.m.  
3 ) CTRM: 10D  
4 vs. ) The Honorable Andrew J. Guilford  
5 ROUTEONE LLC, DAVID L. HUBER,  
and FINANCE EXPRESS LLC,  
6 Defendants. )  
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1     **I. INTRODUCTION**

2       Defendants Finance Express and RouteOne move for summary judgment of  
3 invalidity as to claims 1, 3, and 4 of U.S. Patent No. 7,181,427 (“the ‘427 patent”) on  
4 the ground that the claims of the ‘427 patent are not directed to patent-eligible subject  
5 matter under 35 U.S.C. § 101. Alternatively, Finance Express seeks summary  
6 judgment of non-infringement because its accused service lacks the subject matter  
7 that would be required to satisfy Section 101.

8       On October 20, 2008, the Federal Circuit issued an *en banc* decision  
9 establishing that method claims like those asserted here are invalid for failing to claim  
10 a statutory “process” under 35 U.S.C. § 101. *In re Bilski*, 545 F.3d 943 (Fed. Cir.  
11 2008). The Federal Circuit held that a method claim is drawn to patent-eligible  
12 subject matter only if the method steps are “tied to a particular machine” or  
13 “transform” a “physical article” into a different state or thing. *Id.*, 545 F.3d at 961.

14      Claims 1, 3 and 4 of the ‘427 patent fall well short of the *Bilski* “machine or  
15 transformation” test as a matter of law. None of the claims is either tied to a  
16 “particular machine” or transform a “physical article” into a different state or thing.  
17 Instead, the asserted ‘427 claims are directed to a business method, tied to human  
18 activity, of soliciting credit from lenders and receiving funding decisions. Claim 1  
19 recites a “computer aided” method of managing a loan application limited to the steps  
20 of receiving credit application data, forwarding the data to a plurality of funding  
21 sources in one of four alternative ways, and forwarding back to the requestor funding  
22 decision data. Claim 3 adds the steps of aggregating data for dealers having more  
23 than one dealership and providing consolidated reports. Claim 4 adds the step of  
24 obtaining credit report data. Thus, the claims require no more than a series of steps  
25 that can be performed by humans with the aid of a general purpose computer.

26      Although the preamble of claim 1 vaguely recites that the method is “computer  
27 aided,” the mere “aid” of a computer in performing unspecified steps fails to tie the  
28 claimed method to a “particular machine.” In fact, “computer aided” is nothing more

than a field-of-use restriction of the type that *Bilski* recognized to be insufficient to render patent-eligible an otherwise unpatentable process claim. Nor does the recital of “application entry and display devices” or “terminal devices” tie claim 1 to a “particular machine.” Indeed, DealerTrack’s own expert concedes that the ‘427 claims do not require a particular computer or programming routine within a computer, but rather are limited only by how fast and in what sequence a human “clicks” buttons on a computer screen to initiate the transfer of credit applications. Under any test, claims directed to how fast a human clicks on a computer screen, or in what sequence, to affect a business transaction, is not patentable.

DealerTrack’s assertion of infringement by Finance Express confirms that the methods claimed by the ‘427 patent are not tied to a particular machine. DealerTrack asserts, and its expert has testified, that Finance Express infringes when a human being clicks a “send credit application” button on a computer screen fast enough to be “substantially at the same time” or stops clicking when the user learns that a “positive funding decision” has been received. DealerTrack takes this position as to the scope of the ‘427 claims because it is undisputed that the computer of Finance Express’ accused system is not programmed to send a credit application to more than one funding source “substantially at the same time” or “sequentially ... until a positive funding decision” as required by the language of claim 1. Relying on a human being in the performance of these claim steps is the antithesis of being tied to a particular machine.

As for the “transformation” part of *Bilski*, DealerTrack apparently concedes that claim 1 does not satisfy that branch of the test. But even if DealerTrack asserts that it does, this Court’s decision in *Fort Properties v. American Master Lease LLC*, 2009 U.S. Dist. LEXIS 7217, at 11-12 (C.D. Cal., Jan. 22, 2009) leaves no room for debate. The transformation test requires that a physical article, or data representing a physical article, be transformed into a different state or thing. But the credit application and funding decision data of the ’427 claims do not represent physical

1 articles. Rather, like the deedshare data at issue in *Fort Properties*, the application  
2 and funding decision data of the ‘427 claims represent only intangible information in  
3 credit funding. Nor do the ‘427 claims require any “transformation” of these data.

4 Because the asserted claims fail both parts of the *Bilski* test, the claims are  
5 invalid under 35 U.S.C. § 101. If, however, the Court believes that the claims are not  
6 invalid under Section 101 because they require the use of a particular computer  
7 programmed to forward applications “substantially simultaneously” or “sequentially  
8 until … a positive funding decision” as claimed (they do not), then Finance Express  
9 does not infringe as a matter of law. It is undisputed that the computers of Finance  
10 Express’ system are not programmed to send loan applications to potential lenders in  
11 these claimed ways. Instead, as DealerTrack recognizes, automobile dealers **alone**  
12 control the timing and sequence of sending loan applications. DealerTrack has no  
13 evidence to the contrary, and its expert witness (who examined Finance Express’  
14 source code) agrees.

15 Thus, there is no tightrope between invalidity and non-infringement on which  
16 DealerTrack can walk to maintain this patent infringement action against Defendant  
17 Finance Express. The ‘427 patent claims are invalid because, as written and  
18 construed by DealerTrack in asserting infringement, they are tied to human activity  
19 rather than to a particular computer and do not transform anything – let alone an  
20 article – to a different state or thing. But should the Court conclude that the claims  
21 are tied to a particular programmed computer, then Finance Express cannot infringe  
22 because its accused system lacks a particular computer programmed to forward loan  
23 applications in accordance with the recited steps.

24 **II. STATEMENT OF FACTS**

25 **A. The ‘427 Patent**

26 The ‘427 patent, which issued February 20, 2007, is entitled “Automated Credit  
27 Application System.” According to the Abstract, the invention of the patent is a  
28 “computer based credit application processing system [that] provides a graphical user

1 interface, automatic software update downloading, lender to lender routing of credit  
2 applications, and integration with in-house finance and insurance systems and third  
3 party data entry facilities, among other features.” The Abstract further explains that  
4 the invention accommodates website linkage. As explained in the background section  
5 of the ‘427 patent application, most processes for obtaining credit and financing of  
6 major consumer purchases prior to the invention had been done manually, although  
7 certain aspects of prior loan application processes had been automated. (Declaration  
8 of Lawrence M. Hadley (“Hadley Decl.”) Ex. 1, ‘427 patent at 1:23-35. Ex. 1, ‘427  
9 patent at 1:23-35.) With the invention, the “entire indirect loan application  
10 processing, routing, and funding” is placed in an on-line environment with graphical  
11 user interfaces. (*Id.*, ‘427 patent at 1:48-2:56.)

12 While the preferred embodiment of the ‘427 patent describes various physical  
13 embodiments of an Internet-based credit application system for use in securing  
14 automobile loans, the claims of the ‘427 patent asserted in this case – claims 1, 3, and  
15 4 – recite only a business “process,” untied to the Internet or any other particular  
16 machine, for sending credit applications to potential lenders and receiving funding  
17 decisions. Claims 1, 3, and 4 read in pertinent part as follows:

18       **1. A computer aided** method of managing a credit application, the  
19       method comprising the steps of:

- 20       [A] receiving credit application data from a remote application  
21           entry and display device;
- 22       [B] selectively forwarding the credit application data to remote  
23           funding source terminal devices;
- 24       [C] forwarding funding decision data from at least one of the  
25           remote funding source terminal devices to the remote  
26           application entry and display device;
- 27       [D] wherein the selectively forwarding the credit application  
28           data step further comprises:

1 [E] sending at least a portion of a credit application to more than  
2 one of said remote funding sources **substantially at the**  
3 **same time;**

4 [F] sending at least a portion of a credit application to more than  
5 one of said remote funding sources **sequentially until a**  
6 **finding [sic] source returns a positive funding decision;**

7 [G] sending ... a credit application ... after a predetermined  
8 time ...; or;

9 [H] sending the credit application from a first remote funding  
10 source to a second remote finding source ....

11 3. The method according to claim 1, further comprising the  
12 steps of:

13 aggregating data for a dealer having a plurality of dealerships  
14 located at different locations; and

15 providing the dealer with a consolidated report using the aggregated  
16 data.

17 4. The method according to claim 1 also including the step of:  
18 obtaining credit report data from at least one remote credit bureau terminal  
19 device.

20 (*Id.*, Ex. 1, ‘427 patent at 20:54-21:14, 21:18-26 (emphasis and bracketed notations  
21 added).)

22 Claim 1 of the ‘427 patent issued from application claim 17. (*Id.* Ex. 2(a), ‘427  
23 File History (Index of Claims.) As originally filed, application claim 17 recited a  
24 “computer based method of operating a credit application and routing system.” (*Id.*  
25 Ex 2(b), ‘427 Application at 37.) On May 19, 2000, “to more particularly point out  
26 and distinctly claim the subject matter which applicants regard as the invention,”  
27 claim 17 was amended by the applicants to recite a “computer based method of  
28 managing a credit application in a system including a central processor ....” (*Id.* Ex.

1 2(c), File History Amendment at 3, 7.) On December 26, 2002, again “to more  
2 particularly point out and distinctly claim the subject matter which Applicants regard  
3 as the invention,” the applicants changed the preamble yet again to recite a “computer  
4 implemented” method of managing a credit application. (*Id.* Ex. 2(d), File History  
5 Amendment at 2, 8.) Finally, on June 24, 2003, the applicants changed “computer  
6 implemented” to the current “computer aided” method of managing credit  
7 applications. (*Id.* Ex. 2(e), File History Amendment at 4.)

8 **B. The Court’s Claim Construction Order**

9 This Court’s Order Ruling on Claim Construction Arguments (Doc. 550)  
10 addressed several terms used by the ‘427 claims that are relevant to this motion.  
11 Those terms, and their constructions, are as follows:

12 **Claim 1:** First, the Court held that the preamble limits claim 1 “because the  
13 term “computer aided” is ‘necessary to give life, meaning and vitality’ to the claim.”  
14 (Doc 550 at 27 (*quoting Pitney Bowes v. v. Hewlett-Packard Co.*, 182 F.3d 1298,  
15 1305 (Fed. Cir. 1999).) But the Court declined to construe “computer aided method.”

16 Second, the Court construed “remote application entry and display device” in  
17 steps [A] and [C] as “**any device**, e.g., personal computer or dumb terminal, remote  
18 from the central processor, for application entry and display.” (*Id.*; emphasis added)

19 Third, the Court construed “selectively forwarding the credit application data to  
20 remote funding source terminal devices” in step [B] to mean “selectively forwarding  
21 the credit application data to particular (i.e., ‘selected’) remote funding source  
22 terminal devices” (*Id.* at 28.) “Terminal device,” in turn, was held to be “**any device**,  
23 e.g., personal computer or dumb terminal, located at a logical or physical terminus of  
24 the system.” (*Id.* at 20; emphasis added.)

25 Finally, the Court construed “forwarding funding decision data from at least  
26 one of the remote funding source terminal devices to the remote application entry and  
27 display device” in step [C] to mean “forwarding funding decision data from at least  
28 one of the remote funding source terminal devices to the remote application entry and

1 display device from which the credit application was received.” (*Id.* at 28.)

2 **Claim 4:** Other than “terminal device,” which the Court had already construed  
3 (see above), the Court found that no terms required construction.

4 **C. Finance Express’ Accused FEX System**

5 Finance Express offers an Internet-based system that includes a loan origination  
6 platform designed exclusively for independent automobile (*i.e.*, used car) dealers and  
7 a comprehensive risk mitigation program for participating lenders (“FEX System”).  
8 (Declaration of David L. Huber (“Huber Dec.”) ¶ 2; Hadley Dec., Ex. 3 Kaliski  
9 Report, at 7.) The FEX System works in conjunction with any standard computer  
10 having an Internet web browser. To access the FEX System, a dealer logs on by  
11 entering an identification and password at the Finance Express website. Once logged  
12 on, the dealer can enter customer information, structure used car sales deals, enter  
13 credit applications, obtain credit bureau reports, and submit credit applications to  
14 lenders. A lender can review the credit application, and send back to the FEX System  
15 the decision on whether to provide credit to the applicant. Once the funding decision  
16 arrives back at the FEX System, the dealer can view the funding decision at the same  
17 website. (Huber Dec., ¶ 3; Hadley Dec., Ex. 3, Kaliski Report at 8-9.)

18 At the central facility, the FEX System includes a web server (a computer) for  
19 receiving and sending data between remote dealers, lenders, and credit bureaus, and a  
20 database server (another computer) for accessing information in a database. The web  
21 server provides access to the Internet and stores the web pages accessed by dealers  
22 and lenders. The database stores information received from dealers, lenders, and  
23 credit bureaus, and the database server allows the web server to access information in  
24 the database. (Huber Dec., ¶ 4; Hadley Dec., Ex. 3, Kaliski Report at 8.)

25 It is undisputed that the FEX System’s servers contain no programming to  
26 direct the timing or sequence of sending credit applications to potential lenders or  
27 returning funding decisions. Instead, dealers alone control the timing and sequence of  
28 sending loan applications, and decide when to stop the sending, solely through

1 interaction with a mouse and web browser. After a dealer enters a credit application  
2 into a form provided on the dealer's web browser, the FEX System checks the  
3 application for errors and presents the dealer with a screen listing lenders available to  
4 the dealer. (Huber Dec., ¶ 6; Hadley Dec., Ex. 3, Kaliski Report at 9-10.) If the credit  
5 application data satisfies a particular lender's requirements, a green "Send to Lender"  
6 button appears to the right of the lender's name. (Huber Dec. ¶ 6; Hadley Dec., Ex. 3,  
7 Kaliski Report at 10-11.) Using a mouse, the dealer can "click" on any green "Send  
8 to Lender" button, which causes the FEX System to send the application to the  
9 Internet address corresponding to the selected lender. When the dealer clicks on a  
10 green "Send to Lender" button, all other green "Send to Lender" buttons turn grey,  
11 preventing the dealer from clicking on another "Send" button until the FEX System  
12 has transmitted the application onto the Internet. (Huber Dec. ¶ 6; Hadley Dec., Ex.  
13 Kaliski Report at 10-11.)

14 Once the FEX System has transmitted the application to the selected lender,  
15 those "Send to Lender" buttons on the dealer's browser next to lenders for which the  
16 applicant qualifies return to "green," allowing the dealer – if desired – to click on  
17 another green button to initiate a transfer of the application to another lender. This  
18 process can continue as long as green buttons appear on the dealer's browser to click,  
19 even if (in the interim) a lender has returned a positive funding decision. (Huber  
20 Dec., ¶ 7, Hadley Dec. Ex. 3, Kaliski Report, Ex. 13 at 4, 10.)<sup>1</sup>

21 <sup>1</sup> Prior to November 2006, the dealer's web browser also showed a green "Send to All  
22 Qualified Lenders" button. When clicked, this button invoked a software routine  
23 programmed into the FEX System source code that directed the system to  
24 automatically send the application to as many as five lenders substantially  
25 simultaneously – called "shot-gunning" in the industry. On or about November 21,  
26 2006 (before the '427 patent issued), Finance Express removed the "shot-gunning"  
27 code and the "Send to All Qualified Lenders" feature from its system. (Huber Dec.  
28 ¶ 8, Hadley Dec., Ex. 3, Kaliski Report, Ex. 13 at 4.) Thus, at all times since issuance  
of the '427 patent, the dealer alone, and not any computer program, controls the  
timing and sequence of sending, and when to stop sending, applications to lenders  
over the FEX System.

1           **III. THE LAW OF SUMMARY JUDGMENT APPLIED TO PATENT  
2           INVALIDITY AND NON-INFRINGEMENT**

3           **A. Invalidity**

4           This Court's recent *Fort Properties* decision, which granted summary judgment  
5           of invalidity under the test set forth in *Bilski*, properly states the standard for summary  
6           judgment as applied to patent invalidity and is not repeated here. *Fort Properties*,  
7           2009 U.S. Dist. LEXIS 7217, at \*4-6.

8           **B. Non-Infringement**

9           DealerTrack must establish infringement by a preponderance of the evidence.  
10          *Cross Med. Prods. v. Medtronic Sofamor Danek, Inc.*, 424 F.3d 1293, 1310 (Fed. Cir.  
11          2005). As proof of infringement is DealerTrack's burden, Finance Express need only  
12          point out on this motion "that there is an absence of evidence to support the  
13          nonmoving party's case." *Fairbank v. Wunderman Cato Johnson*, 212 F.3d 528, 531  
14          (9th Cir. 2000) (*quoting Celotex Corp. v. Catrett*, 477 U.S. 317, 325 (1986)). Once  
15          Finance Express meets its initial burden, DealerTrack then "must come forward with  
16          specific facts showing that there is a genuine issue for trial." *Matsushita Elec. Indus.*  
17          *Co. v. Zenith Radio Corp.*, 475 U.S. 574, 587 (1986) (citation and internal quotation  
18          marks omitted); Fed. R. Civ. P. 56(e). Otherwise, summary judgment is appropriately  
19          granted. *See Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 249-50 (1986); *Spectra*  
20          *Corp. v. Lutz*, 839 F.2d 1579, 1581 (Fed. Cir. 1988).

21           **IV. ARGUMENT**

22           **A. The '427 Patent Fails the *Bilski* Test for Patentable Subject Matter**

23          *Bilski* rejected prior standards – such as the "useful, concrete, and tangible  
24          result" test<sup>2</sup> – for determining whether a claimed business method was directed to  
25          patent-eligible subject matter under 35 U.S.C. § 101. Under the *Bilski* standard, a

26          <sup>2</sup> *State St. Bank & Trust Co., v. Signature Fin. Group*, 149 F.3d 1368, 1373 (Fed. Cir.  
27          1998). This test governed the patentability determination during examination of the  
28          '427 patent application, which issued on February 20, 2007.

process claim must be “tied to a particular machine, or … transform[] an article.” *Bilski*, 545 F.3d at 961. Here, the asserted claims of the ‘427 patent meet neither prong of the *Bilski* test. Thus, as a matter of law, the claims are invalid.

## **1. Method Claims Must be for Patent Eligible Subject Matter**

To be patentable, a patent claim must meet the subject matter eligibility requirements of 35 U.S.C. § 101. Under Section 101, a patent claim may be drawn to a process but only if it does not claim “laws of nature, natural phenomena, [or] abstract ideas.” *Diamond v. Diehr*, 450 U.S. 175, 185 (1981). Fundamental principles, mental processes, and intellectual concepts are the basic tools of science, technology and commerce, and therefore cannot be patented. *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972). An idea is not patentable, nor is something that would have the same “practical effect” as patenting an idea. *Id.* at 72. “Transformation and reduction of an article ‘to a different state or thing’ is the clue to the patentability of a process claim that does not include particular machines.” *Diehr*, 450 U.S. at 184 (quoting *Gottschalk*, 409 U.S. at 70). Thus, “[p]urported transformations or manipulations simply of public or private legal obligations or relationships, business risks, or other such abstractions” without any connection to a particular device or article or without “the transformation of any physical object or substance” into another state or thing, is not eligible for patenting. *Bilski*, 545 F.3d at 963.

Whether a claim is drawn to patent-eligible subject matter is an issue of law and the “threshold inquiry of patent validity.” *Bilski*, 545 F.3d at 950-51 (citations omitted). Accordingly, any patent claim “failing the requirements of §101 must be rejected even if it meets all of the other legal requirements of patentability.” *Id.* When analyzing a claim under Section 101, it must be considered “as a whole,” *Diehr*, 450 U.S. at 188.

- a) Method Claims Must be Tied to a “Particular Machine or Apparatus”

The first prong of the *Bilski* inquiry asks whether the claim “is tied to a

1 particular machine or apparatus ....” 545 F.3d at 954. While the Federal Circuit left  
2 to future cases the task of “elaborating the precise contours” of the machine prong, *id.*  
3 at 962, the Court provided several requirements that a claimed method must exhibit to  
4 satisfy the particular machine test. First, the claim must be limited to a **particular** or  
5 specific machine or structure. *Id.* at 961-62. Second, the machine or structure must  
6 be sufficiently “tied” to the claimed process. *Id.* Third, the use of the machine must  
7 impose meaningful limits on the scope of the claims. *Id.* Finally, the “involvement of  
8 the machine” in the claimed process “must not merely be insignificant extra-solution  
9 activity” – meaning that obvious additions of machine or structure to a claim will not  
10 save an otherwise non-patentable claim. *Id.* at 957 (“The notion that post-solution  
11 activity, no matter how conventional or obvious in itself, can transform an  
12 unpatentable principle into a patentable process exalts form over substance.”)  
13 (*quoting Parker v. Flook*, 437 U.S. 584, 590 (1978)).

14 Since *Bilski*, the Board of Patent Appeals and Interferences (“BPAI”) has  
15 rendered a number of decisions analyzing whether patent claims, particularly those  
16 claiming methods with the assistance of computers and communications networks, are  
17 sufficiently tied to particular machines to satisfy Section 101.

18 First, claims reciting the use of general purpose processors or computers to  
19 perform method steps do not satisfy the *Bilski* particular machine test. *Ex parte*  
20 *Halligan*, No. 2008-1588 at 27 (BPAI, Nov. 24, 2008) (*quoting Diehr*, 450 U.S. at  
21 191-92); *Ex parte Gutta*, No. 2008-3000 at 5-6 (BPAI Jan. 15, 2009) (rejecting under  
22 Section 101 a claim reciting “a computerized method performed by a data  
23 processor”); *Ex Parte Nawathe*, No. 2007-3360, 2009 WL 327520, \*4 (BPAI Feb. 9,  
24 2009) (rejecting under Section 101 a claim reciting a “computerized method” of  
25 inputting and representing XML documents as insufficiently tied to “a particular  
26 computer specifically programmed for executing the steps of the claimed method.”).  
27 Thus, simply reciting the use of a processor to implement functional steps, through  
28 programming in an unspecified manner, using an unspecified algorithm, does not tie a

1 process step to a particular machine as required by Section 101. *Ex parte Cornea-*  
2 *Hasegan*, No. 2008-4742 at 9-10 (BPAI Jan. 13, 2009).<sup>3</sup>

3 Second, claims merely reciting a step of “displaying” failed the “particular  
4 machine” test because “displaying” need not be performed by any **particular**  
5 structure. *Ex parte Gutta*, No. 2008-3000 at 5-6 (BPAI Jan. 15, 2009); *Ex parte*  
6 *Langemyr*, No. 2008-1495 (BPAI May 28, 2008) (finding a step of “displaying” to be  
7 only a nominal or token recitation of structure “incidental to transformation.”).

8 Third, claims reciting steps taking place in a “database system” fail the machine  
9 prong because database systems may refer only to software without the requirement  
10 of any particular machine. *Ex Parte Koo*, No. 2008-1344 (BPAI Nov. 26, 2008).

11 Fourth, claims directed to steps taking place over “a network” are not  
12 sufficiently tied to a particular machine because a “network” could broadly include a  
13 societal network. Moreover, claims limited to steps taking place on electronic  
14 networks fail the “machine” prong because a “network” is not a recitation of a  
15 particular machine, but rather a field of use limitation. *Ex Parte Harris*, No. 2007-  
16 0325 at 2, 9 (BPAI Jan. 13, 2009).

17           **b) Method Claims Must Transform “a Particular Article**  
18           **into a Different State or Thing”**

19 The second branch of the *Bilski* inquiry asks whether the claim “transforms a  
20 particular article into a different state or thing.” *Bilski*, 545 F.3d at 954, 961-62  
21 (*citing Benson*, 409 U.S. at 70). To be patentable under this test, a process claim must  
22 transform **physical objects or substances, or something representing physical objects**  
23 **or substances**. *See Bilski*, 545 F.3d at 963. “Even a claim that recites ‘physical steps’  
24 but neither recites a particular machine or apparatus, nor transforms any article into a  
25 different state or thing, is not drawn to patent-eligible subject matter.” *Id.*, 545 F.3d at  
26

27           <sup>3</sup> For the Court’s convenience, copies of the BPAI cases cited herein are attached to  
28 the accompanying Hadley Declaration. (*See* Hadley Dec., Exs. 5-11.)

1 961. Incidental or token recitations of transformations are not sufficient. The Federal  
2 Circuit explained that, just as with the particular machine test, “transformation of an  
3 article must impose meaningful limits on the claim’s scope.” Thus, “the claimed  
4 process must not merely be insignificant post-solution activity.” *Id.* at 961-62 (*citing*  
5 *Benson*, 409 U.S. at 71-72, and *Parker v. Flook*, 437 U.S. 584, 590 (1978)). In  
6 addition, “mere field-of-use limitations are generally insufficient to render an  
7 otherwise ineligible process claim patent-eligible. *Id.* at 957 (*citing Diamond v.*  
8 *Diehr*, 450 U.S. 175, 191-92 (1981)).

9 Just as important as knowing what the proper test is for determining whether a  
10 method claim is patent-eligible, is knowing what tests are improper. First, a claimed  
11 method is not patent-eligible just because it is performed by software that produces a  
12 tangible result. *Bilski*, 545 F. 3d at 961 (rejecting the “useful, concrete and tangible  
13 result” test as ” inadequate”). Second, even a claim that recites such physical steps as  
14 inputting, calculating, outputting or storing numbers or data “in and of itself would  
15 not render [the claim] statutory subject matter.” *Id.* at 961. It is thus “simply  
16 inapposite to the § 101 analysis whether process steps performed by software on a  
17 computer are sufficiently ‘physical’.” *Id.* at 961 n.26. Third, manipulating data by a  
18 programmed computer does not necessarily qualify that data as an “article” that is  
19 “transformed” as *Bilski* requires. Rather, the data must represent something physical  
20 and be transformed in a meaningful way. *Id.* at 962-63 (observing that data  
21 representing a physical or tangible object – such as x-ray data representing “the  
22 structure of bones, organs, and other body tissues” – that is changed into a particular  
23 visual depiction of the physical object on a display has been held sufficient to render a  
24 claimed method patent-eligible under Section 101). Fourth, a claim that merely adds  
25 a data-gathering step to an otherwise unpatentable algorithm is “insufficient to  
26 convert that algorithm into a patent-eligible process.” *Id.* at 963 (*citing In re Grams*,  
27 888 F.2d 835, 840 (Fed. Cir. 1989)). Finally, as this Court itself noted in *Fort*  
28 *Properties*, the transformation in a business method of legal obligations or

1 relationships, business risks, or other abstraction which are not physical objects nor  
2 representative of physical objects does not constitute the transformation of an article.  
3 *Fort Properties*, 2009 U.S. Dist. LEXIS 7217, \*10-\*11.

4           **2. The Asserted ‘427 Claims Do Not Satisfy The “Particular  
5           Machine” Test**

6           None of the asserted claims 1, 3, or 4 satisfy the “particular machine” prong of  
7           *Bilski*. The asserted claims, which purport to pre-empt the entire business field of  
8           sending and receiving credit applications at particular time intervals and in particular  
9           sequences, depend solely on human activity.

10          While the preamble of claim 1 describes the method as “computer-aided,”  
11 neither claim 1 nor dependent claims 3 and 4 identify a computer or any other  
12 machine (let alone a “particular machine”) as directing or even participating in the  
13 recited steps. In fact, a computer can “aid” in the recited method only by acting as a  
14 “remote application entry and display device” and “terminal devices” so credit  
15 applications can be entered and received, and funding decisions can be displayed. But  
16 even if a computer “aids” in these steps ([A], [B], and [C]), the recited steps do not  
17 specify any “particular machine” for these devices. Reciting merely a requirement for  
18 “terminals” and “display devices” fall well short of tying the claimed method to  
19 “particular machines.”

20          Moreover, limitations [D] through [H], which describe the alternative steps for  
21 “selectively forwarding” credit applications to remote funding sources, on their face  
22 require no machine whatsoever. Instead, the timing and sequencing alternatives  
23 recited in these limitations for “selectively forwarding” broadly cover the actions of a  
24 dealer – namely, how fast, and in what sequence, the dealer “clicks” buttons on his or  
25 her computer screen. Under any test, business methods that depend entirely on  
26 human activity, such as how fast and in what sequence a person clicks on a computer  
27 screen, cannot be patented.

28          DealerTrack’s expert, Dr. Kaliski, concurs that the asserted claims require no

1 "particular machine." Dr. Kaliski further agrees that the claims are directed to how a  
2 dealer presses buttons on a computer screen, not how a computer is programmed with  
3 particular algorithms to "selectively forward" credit applications to potential funding  
4 sources. In his recent deposition, Dr. Kaliski first admitted that "computer aided" in  
5 the preamble of claim 1 imposes no structural requirement beyond the use of a general  
6 purpose computer:

7 Q In the preamble of Claim 1, it states, "A computer-aided method of  
8 managing a credit application, the method of comprising the steps  
9 of," and then it goes on. What is your understanding of  
10 "computer-aided"?

11 A That a computer assists in the implementation of the  
12 functionality of this system. But *usually when you say*  
13 **"computer-aided," it's expected that a human would be in**  
14 ***the loop as well.***

15 \* \* \*

16 Q ... To perform the recited method, ***does Claim 1 require the use of***  
17 ***any particular machine?***

18 \* \* \*

19 A ***The claim is silent on that.***

20 Q Can a general purpose computer be used to perform the steps that  
21 are recited in Claim 1?

22 A I believe so.

23 (Hadley Dec., Ex. 4 at 53:23-55:16 (emphasis added).) Dr. Kaliski also admitted that  
24 "computer aided" does not require any particular programming or algorithm to  
25 implement the recited steps:

26 Q Does the claim, in your view, specify any particular program or  
27 programming?

28 THE WITNESS: No.

1 (Id., Ex. 4 at 56:10-15 (emphasis added; objections omitted).) Dr. Kaliski further  
2 agreed that the term “selectively forwarding” in claim 1 imposes no requirement  
3 beyond “forwarding to particular or selected destinations,” including no requirement  
4 for a central processor and no requirement for the execution of software on a central  
5 processor to forward credit applications in the recited ways:

6 Q Does Claim 1 require software code executing on a central  
7 processor to selectively forward credit application data to remote  
8 funding sources in one of the four recited ways?

9 A It is -- *the claim doesn't require a central processor to carry*  
10 *out the method, and so it certainly cannot require that the*  
11 *software got executed on the central processor.*

12 Q So the answer to my question is, no, in your view?

13 THE WITNESS: It's no.

14 (Id., Ex. 4 at 63:20-64:16 (objections omitted; emphasis added); *see also* 62:2-24.)

15 Finally, Dr. Kaliski confirmed that satisfying the limitation of “selectively  
16 forwarding ... a credit application” either “substantially at the same time” or  
17 “sequentially until a finding [sic] source returns a positive funding decision” turns  
18 entirely on human action – namely, how fast, and in what sequence, a dealer “clicks”  
19 on the “send” button appearing on the dealer’s web browser – not on the operation of  
20 any particular machine:

21 Q Is there any way that this limitation of sending sequentially until a  
22 positive decision is made can be met through action other than by  
23 the action of a dealer?

24 A I'm not sure.

25 Q Do you have *any opinion* as to whether this application -- *this*  
26 *limitation could be met by any way other than what a dealer*  
27 *does?*

28 A *No.*

1 Q And, similarly, just to go back, the limitation of sending  
2 sequentially, at substantially the same time, ***do you agree that***  
3 ***whether that limitation is met is determined solely by how fast a***  
4 ***dealer presses the buttons?***

5 A Yes.

6 (*Id.*, Ex. 4 at 94:15 – 95:4 (emphasis added).)

7 While *Bilski* declined to address the “precise contours” of when a computer  
8 suffices to tie a process claim to a particular machine, courts prior to and since *Bilski*  
9 have rejected under Section 101 claims like those at issue here. For example, in a  
10 case cited and relied on by *Bilski*, the Federal Circuit rejected under Section 101  
11 claims reciting a method of testing a complex system to determine whether a system  
12 condition is normal or abnormal and, if abnormal, the cause of the abnormality. *In re*  
13 *Grams*, 888 F.2d 835 (Fed. Cir. 1989). The independent claim at issue in *Grams*  
14 essentially described an algorithm, with the only physical step limited to providing  
15 data for the algorithm. *Id.* at 840. While one of the dependent claims required that  
16 the method be performed with a “programmed computer,” the Federal Circuit found  
17 that additional language insufficient to bring the claim within the scope of Section  
18 101. *Id.* at 841. In the same way, “computer aided” is, at best, a field of use  
19 restriction insufficient to bring the ‘427 claims within the scope of Section 101.

20 More recently, Judge Patel in the Northern District of California found that a  
21 method claim for detecting fraud in a credit card transaction between a consumer and  
22 a merchant over the Internet failed the machine prong of *Bilski*. *Cybersource Corp. v.*  
23 *Retail Decisions, Inc.*, 2009 U.S. Dist. LEXIS 26056 (N.D. Cal. Mar. 26, 2009).  
24 Judge Patel considered whether recitation of the phrase “over the Internet” sufficed to  
25 tie the claimed process to a particular machine. For three reasons, it did not. First,  
26 “over the Internet” lacked a nexus to a “particular” machine because the Internet is a  
27 made up of multiple machines. Second, “over the Internet” constituted insignificant  
28 extra-solution activity to the underlying unpatentable business method of fraud

1 detection. Finally, use of the Internet did not impose any meaningful limits on the  
2 scope of the claims. *Id.* at \*20-23. Just as the claim for detecting fraud over the  
3 Internet, which necessarily would require one or more computers, a claim for sending  
4 and receiving credit applications, even if “computer aided,” is neither tied to a  
5 “particular” machine, nor contains any meaningful limit on scope.

6 Moreover, amendments to the preamble language during prosecution  
7 demonstrate that applicants, in reciting “computer aided,” contemplated no particular  
8 machine. The original application recited a “computer based” method. (Hadley Dec.,  
9 Ex. 2(b) at 37.) Later amendments added the use of a “central processor” to the  
10 “computer based” method (*id.*, Ex. 2(c) at 3), then changed to a “computer  
11 implemented method.” (*Id.*, Ex. 2(d) at 2.) In settling on a “computer aided” method,  
12 the applicants overtly backed-off from any notion that the recited method steps must  
13 be “based” on the operation of a computer, “implemented” by a computer, or use a  
14 “central processor.” Thus, the amendments confirm the applicants’ intent that the  
15 method steps cover human activity – such as a dealer clicking buttons – not operation  
16 of a programmed computer. DealerTrack is estopped from asserting any different  
17 scope. *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722 (2002).

18 Finally, numerous BPAI decisions make clear that the claims of the ‘427  
19 patent, if subjected to examination by the Patent Office in view of Bilski, would not  
20 survive scrutiny. In each decision, claims much like those at issue here were rejected  
21 because they were tied to no more than a general purpose computer without any  
22 particular algorithm, or tied only to some display device. (Hadley Dec., Exs. 5-11.)  
23 While claims reciting the steps that a machine performs to accomplish an end result  
24 may satisfy the *Bilski* “particular machine” prong, claims reciting steps that a human  
25 must perform – even if the steps are performed on a computer screen or initiate some  
26 business activity over the Internet – lack the requisite tie to a “particular machine.”  
27 Thus, given DealerTrack’s contention that claims 1, 3 and 4 depend on steps  
28 performed by humans, and not by a programmed computer, none of these claims can

1 satisfy the “particular machine” prong of *Bilski*.

2       **3. The Asserted ‘427 Claims Do Not Transform a Particular  
3 Article Into a Different State or Thing**

4       Asserted claims 1, 3 and 4 each fail the “transformation” prong of the *Bilski*  
5 test because none transforms a physical article, or data representing a physical article,  
6 into a different state or thing. The claimed data are not “articles,” and there is no  
7 transformation of anything at all anywhere in these claims.

8       ***Independent Claim 1.*** There should be no legitimate dispute that the “credit  
9 application data” and “funding decision data” of the claim are not “articles” within the  
10 meaning of the *Bilski* test. The data are not tangible or physical things and do not  
11 represent anything tangible or physical. They represent, instead, intangible data or  
12 information – a request for, and decision to grant, a loan.

13       Even if the data were “articles” (they are not), however, nothing in claim 1  
14 transforms the data into “a different state or thing.” No transformation is involved in  
15 simply “receiving” credit application data in some unspecified way at an “application  
16 entry and display device” and “forwarding” that data to “funding source terminal  
17 devices.” The claim does not say how the credit application data are created or  
18 received, or forwarded to the funding sources, or even what happens to the data once  
19 they get to the funding source. “Receiving” and “forwarding” data are no more  
20 transformations than were the steps in *Bilski* of “initiating” and “identifying.” *See*  
21 *Bilski*, 545 F.3d at 949, 963, 965-66 (“while the claimed process contains physical  
22 steps (initiating, identifying), it does not involve transforming an article into a  
23 different state or thing”).

24       As for the “funding decision data” that are forwarded back to the remote  
25 application input and display device, the claim does not say how the funding decision  
26 data are created. Nothing in the claim requires transforming the credit application  
27 data in some manner so as to obtain the funding decision data. Indeed, the claim does  
28 not even require that the credit application data or funding decision data be displayed.

Judge Patel's *Cybersource* decision also supports the conclusion that the method of claim 1 fails the transformation test. *Cybersource* held that claims failed the "transformation" test even though they recited the "Internet" and a "processor" executing "program instructions," because "[o]n their face, the claimed methods simply obtain and compare intangible data pertinent to business risks." 2009 U.S. LEXIS 26056 at \*8. In reaching this conclusion, Judge Patel importantly recognized that more than mere manipulation of data was required to be a "transformation":

At the outset, it must be noted that the respective ordinary meanings of the terms "transformation" and "manipulation" differ. "Transformation" suggests a fundamental change, whereas "manipulation" does not. ... There is no indication that the Federal Circuit, having reaffirmed the machine-or-transformation test, intended to weaken the key term "transformation" by equating it with mere "manipulation." The processes claimed in the '154 patent unquestionably "manipulate" credit card numbers by using them to build a "map." But it is equally clear that neither credit card numbers nor credit cards are "transformed."

*Id.*, 2009 U.S. LEXIS 26056 at \*10.

**Dependent Claim 3.** Claim 3 adds to claim 1 the steps of "aggregating data" for a dealership having a plurality of dealer locations, and "providing" to the dealer a "consolidated report using the aggregated data." These steps do not transform an article for at least two reasons. First, the claim doesn't even say what the "data" is that's being aggregated. Such open-ended non-specificity precludes the data from being or representing an "article." *Bilski*, 545 F. 3d at 962 (confirming as non-patentable a claim reciting a process of graphically displaying variances of data from average values because the "claim did not specify any particular type or nature of data; nor did it specify how or from where the data was obtained or what the data

1 represented”) (*citing In re Abele*, 684 F.2d 902, 909 (Fed. Cir. 1982)). Second, claim  
2 adds only a data-gathering step to the patent-ineligible method of claim 1. *Bilski*,  
3 again, is directly on point: “This court and our predecessor court have frequently  
4 stated that *adding a data-gathering step to an algorithm is insufficient* to convert  
5 that algorithm into a patent-eligible process.” *Bilski*, 545 F. 3d at 963 (emphasis  
6 added).

7 **Dependent Claim 4.** Claim 4 runs afoul of Section 101 for the same reasons as  
8 claim 3. Claim 4 adds to claim 1 the data-gathering step of “obtaining credit report  
9 data.” The credit report data is not an “article” because it does not represent anything  
10 physical. Credit report data is data from a credit bureau about a person’s credit.  
11 Moreover, as a data-gathering step, it necessarily follows – and it is apparent from the  
12 claim – that the credit report data are not being transformed by the claim.

13 **B. Alternatively, the Accused Finance Express FEX System Does Not  
14 Infringe Any Asserted ‘427 Patent Claim as a Matter of Law**

15 If the Court disagrees with DealerTrack’s expert, Dr. Kaliski, and instead holds  
16 that the “computer aided” method of the ‘427 claims does require a “particular  
17 machine” to perform the claimed steps (*e.g.*, a central processor programmed to  
18 selectively forward credit applications in the recited ways), then Finance Express is  
19 entitled to summary judgment of non-infringement. This is because the FEX System  
20 indisputably lacks a central processor programmed to selectively forward credit  
21 applications at either “substantially the same time” or “sequentially until a funding  
22 source returns a positive funding decision.” Thus, Finance Express cannot directly  
23 infringe. Without a direct infringement, Finance Express cannot induce infringement.

24 **1. The Law Of Patent Infringement**

25 “An infringement analysis is a two step process” consisting of claim  
26 construction and application of the properly construed claims to the accused device.  
27 *K-2 Corp. v. Salomon*, 191 F.3d 1356, 1362 (Fed. Cir. 1999). The proper construction  
28 of the patent claims is a matter of law. *Markman v. Westview Instruments, Inc.*, 517

1 U.S. 370, 372 (1996).

2 “To establish infringement, every limitation set forth in patent claim must be  
3 found in accused product or process exactly or by substantial equivalent.” *Laitram*  
4 *Corp. v. Rexnord, Inc.*, 939 F.2d 1533, 1535 (Fed. Cir. 1991). If even a single claim  
5 element is missing from an accused product, that claim cannot be infringed. *Mas-*  
6 *Hamilton Group v. LaGard, Inc.*, 156 F.3d 1206, 1211 (Fed. Cir. 1998); *Laitram*  
7 *Corp.*, 939 F.2d at 1535.

8 Although the step of comparing the construed claims with the accused product  
9 generally is a question of fact, it need not involve a disputed issue of material fact.  
10 The Federal Circuit frequently has affirmed summary judgment of non-infringement  
11 where there was no genuine issue of material fact. *See, e.g., Novartis Corp. v. Ben*  
12 *Venue Labs, Inc.*, 271 F.3d 1043, 1046 (Fed. Cir. 2001); *Miken Composites, L.L.C. v.*  
13 *Wilson Sporting Goods Co.*, 515 F.3d 1331 (Fed. Cir. 2008); *Stumbo v. Eastman*  
14 *Outdoors, Inc.*, 508 F.3d 1358 (Fed. Cir. 2007). In particular, where – as here—the  
15 operation of the accused system is not in dispute and there is no evidence of  
16 infringement under the Court’s claim constructions, “‘the question of literal  
17 infringement collapses to one of claim construction and is thus amenable to summary  
18 judgment.’” *K-2 Corp.*, 191 F.3d at 1362 (*quoting Athletic Alternatives, Inc. v. Prince*  
19 *Mfg. Inc.*, 73 F.3d 1573, 1578 (Fed. Cir. 1996)).

20 **2. If the ‘427 Claims Are Tied to a Particular Machine in a**  
21 **Manner that Satisfies *Bilski*, then Finance Express is Entitled**  
22 **to Summary Judgment of Non-Infringement Because its**  
23 **Accused FEX System Uses No Such Machine**

24 Should the Court disagree with Dr. Kaliski, and find that the asserted claims of  
25 the ‘427 patent are tied to a particular machine, the undisputed facts establish that  
26 Finance Express cannot infringe. To satisfy the particular machine prong of *Bilski*,  
27 the “computer aided” language of the preamble and the “selective forwarding”  
28 language in the recited steps would need to require (at least) the use of a central

1 processor programmed to execute software code that selectively forwards credit  
2 applications to remote funding sources (1) at “substantially the same time” and (2)  
3 “sequentially until a funding source returns a positive funding decision.” (‘427 patent  
4 at 20:63-21:4.) Yet Dr. Kaliski, who examined Finance Express’ source code, admits  
5 that the FEX System contains no such particularly programmed central processor:

6 Q Is there any code in the Finance Express System that directs  
7 applications to be sent sequentially and then to stop sending  
8 applications as soon as a funding decision is -- a positive funding  
9 decision is made by one of the lenders?

10 A I'm not aware of such code.

11 Q .... Do you agree, then, that whether this limitation is met, namely  
12 sending applications sequentially until a positive funding decision  
13 is made, is a function solely of action by a dealer?

14 THE WITNESS: Well, a dealer can certainly make that happen.

15 ....

16 Q And, similarly, just to go back, the limitation of sending  
17 sequentially, at substantially the same time, do you agree that  
18 whether that limitation is met is determined solely by how fast a  
19 dealer presses the buttons?

20 A Yes.

21 (Hadley Dec., Ex. 4 at 93:21-94:13, 94:24-95:4.) Thus, Finance Express is entitled to  
22 summary judgment of non-infringement under any reading of the asserted claims that  
23 satisfies the *Bilski* machine test.

24 The reason the accused FEX System cannot infringe under any construction  
25 tying the asserted ‘427 claims to a particular machine is even more apparent in light  
26 of a change Finance Express made to its code before the ‘427 patent issued. Prior to  
27 November 2006, the dealer’s web browser showed a green “Send to All Qualified  
28 Lenders” button. Clicking on the “Send to All Qualified Lenders” button initiated a

1 routine programmed into the FEX System source code, which directed the system to  
2 “shotgun” the application to up to five lenders in an uninterrupted sequence. (Huber  
3 Dec. ¶ 8.) More specifically, as Dr. Kaliski explained, the shot-gunning code  
4 triggered by the “Send to All Qualified Lenders” button activated code containing a  
5 list of preferred lenders together with a routine that cycled through each lender,  
6 automatically directing the transfer. (Hadley Dec. Ex.4 at 68:13-25, 69:23-70:4.) On  
7 or about November 21, 2006 (before the ‘427 patent issued), Finance Express  
8 removed the “shot-gunning” program code from its central computer, and removed  
9 the “Send to All Qualified Lenders” from the web page that appears on a dealer’s web  
10 browser. (Huber Dec., ¶ 4, Hadley Dec., Ex. 2, Kaliski Report, Ex. 13 at 4, 10.)

11 With the removal of the shot-gunning code, DealerTrack was forced to reveal  
12 the full breadth – and the invalidity – of its ‘427 claims by asserting that infringement  
13 nevertheless occurs when a human being alone clicks more than one “Send to Lender”  
14 button on a computer screen during a relatively short time interval (which  
15 DealerTrack says meets the “substantially at the same time” step) or stops clicking  
16 when the user learns that a positive funding decision has been received (which  
17 allegedly meets the “sequentially until” step). By adopting such a broad construction  
18 – requiring only human action and no programming of a central processor to affect the  
19 claimed forwarding of credit applications – the claims cannot be tied to a “particular  
20 machine.” Either way, Finance Express is entitled to summary judgment: the claims  
21 are invalid under *Bilski* or Finance Express cannot infringe.

### 22       **3.     Finance Express Cannot Induce Infringement**

23 Liability for inducing patent infringement first requires proof that another  
24 person directly infringed the patent. 35 U.S.C. § 271(b). Additionally, mere  
25 knowledge of acts alleged to constitute direct infringement is insufficient to find  
26 liability for active inducement. Rather, DealerTrack must prove that once Finance  
27 Express knew of the ‘427 patent, it actively and knowingly aided and abetted another  
28 person to infringe. *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1304-06 (Fed. Cir.

1 2006). Here, DealerTrack has not made any showing or cited any facts establishing  
2 that some third party directly infringes the '427 patent. Nor can DealerTrack offer  
3 any evidence that Finance Express specifically intended to cause anyone to infringe  
4 the asserted claims of the '427 patent. Thus, Finance Express could not have actively  
5 induced infringement of the '427 patent, and is entitled to summary judgment on  
6 DealerTrack's inducement claim.

7 **V. CONCLUSION**

8 For the foregoing reasons, this Court should grant Finance Express' and  
9 RouteOne's motion for summary judgment that claims 1, 3, and 4 of the '427 patent  
10 are invalid under 35 U.S.C. § 101. Alternatively, this Court should grant Finance  
11 Express summary judgment of non-infringement.

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